Ogle County Finance & Insurance Committee Meeting
Tentative Minutes
Wednesday August 12, 2009, 2:00 p.m.

1. Call to Order by Chairman Hopkins at 2:08; Members present Saunders, Diehl, Gronewold, Hopkins, White, Kenney, Rice. Also present Barnes, Boes, Kilker, Heuer, McKinley, Coffman, O'Brien, Finch, Vinde Wells, Rypkema, Sheriff. Toward the end of the meeting, DeArvil, Bauer, Don Huntley, and Colson joined.

2. Approval of Minutes: Motion by Rice to approve the July 14, 2009 meeting minutes. 2nd by Kenney. Motion carried.

3. Approval of Bills -
   - Treasurer- Saunders motioned to pay bills in the amount of $785.75. 2nd by Diehl. Motion carried.
   - Finance & Administrator – Kenney motioned to approve bills in the amount of $7,171.81. 2nd by White. Motion carried. Kenney also motioned to approve the building repair bill for Probation in the amount of $2,356.15. 2nd by Rice. Motion carried.

4. Public Comment - none

5. Insurance Report – Greg Query reported that Scott Sodergren was added as Additional Insured. He also reported they deleted 2007 – Collins van from Focus House. He also noted they have requested that Focus House be added as Additional Insured. Coffman reported he received letter from Hospice noting that October 1, they may move to another insurance company. Echo has new PBM for prescriptions that people recommend taking a look at. Coffman also reported that dependents that aren't qualified for tax purposes should have a fair market taxable value of the difference between the family +1 and family rate, which is $231/month. Rice motioned to accept the suggested rate for dependency rate as described. 2nd by White. Motion carried.

6. Finance & Administrator Reports – McKinley provided a 2009 and 2010 budget presentation noting progress to date against the reductions sought from the Finance Committee last month. She also noted she gave this presentation to the Personnel Committee earlier in the day, asking them to think specifically about the policies they would or would not recommend for consideration to solve the budget problem because we have still not reached our reduction targets. Highlights of the report, which will be covered at the County Board meeting August 18 included the following:
   i. 2009 Expense Budget = $13,443,119
   ii. 2009 3% reduction target = ($403,294)
   iii. 2010 7% reduction target – ($941,018)
   iv. Total General fund Reduction Goals for 2009 & 2010 = ($1,344,312)
   v. Current 2009 reduction progress to date = ($309,737), which means we're still $93,557 short of the goal

vi. 2009 Expected overage in line items by Circuit Clerk union contract salaries, detention fees previously discussed & approved, and insurance = $70,000.
vii. 2009 net reduction goal short fall = $163,557
viii. Current 2010 reduction targets is ($941,018)
ix. Department Heads have identified ($300,000) savings to date, which is still $641,018 short of the 2010 goal.
x. McKinley then reported on current revenue scenarios are that we could be down $700,000 in 2009 and $1,100,000 more in 2010. Worst case scenarios that Coffman has been working on are that we could be down $1,000,000 in 2009 and another $1,700,000 more for 2010. 2011 is expected to remain a difficult year, and we could see revenues at the 2010 level, or decline even more.
xi. McKinley's presentation then posed the following budget questions:
    1. Is this a short term financial crisis?
    2. Is this the new norm?
    3. Which revenues may likely never return?
    4. What other sources of revenue must we pursue?
    5. What level of service are we willing to forgo to balance the budget?
    6. Could wage freezes help us avoid layoffs? How would future budge spikes impact us?
    7. How would inequitable wage solutions impact our employees?
    8. Could furlough days help us avoid layoffs?
    9. What would early retirement save?
    10. If we deplete funds in a short term crunch, what are the cash flow implications?
    11. How can the wage study help us avoid spiraling wages costs in the future?
xii. She concluded the presentation stating next steps are for the Finance Committee to set specific revenue & expense targets by analyzing the implications of all possible scenarios. She recommends a special Finance Committee to continue working through the scenarios for progress after today.

White asked if we'll be over on Focus House. Martin indicated no, they are working through cost cutting measures to stay within budget for 2009. White asked if we can increase Excelon levies – John indicated no. They are capped. We must rearrange levies, not tax increase. Hopkins asked if the U of I extension levy stays the same. Coffman indicated yes. Hopkins noted the University has set a hiring freeze, no equipment purchase to keep the budget the same this year, and with the EAV going up, it should technically drop the rate a little bit.

White noted that regarding revenue projections, he believes the current financial situation would be the norm for a while stating he believes our county isn't likely to turn around to where we were in 2008 until a good 5 years, if that. Because it is so difficult to predict, he recommend we err on the side of caution noting he'd rather be $300k or $500k off in the positive nature than in the negative nature. He also noted a measure of the impact to

such cuts has to be known, and we don't yet have that data in front of us. Gronewold noted that the current dept head plans are not enough. White asks what the unions might want to discuss. Gronewold says it's time that we as a committee have to make decisions to bring to the board. It appears wage freezes may not be enough. What else are we looking at? McKinley noted that if all wages were frozen, it would account for about $203,000 in the Sheriff's budgets, $25,000 in the Circuit Clerk's budget, $50,000 across all non-union employees and department heads, and $21,000 in the Health Department, for a total of an additional $300,000. Kenney then reported on the Personnel Committee recommendations for consideration, including:

- Hiring freezes across the board in all departments
- Early retirement options for employees
- Voluntary lay off option for interested employees
- Opening of labor contracts for concessions
- Furloughs for employees in all departments
- Layoffs across the board in all departments
- Overtime elimination (except in emergency basis)
- Salary and wage freeze across the board in all departments
- 3-4 day work week rotation for employees
- Increased tax levy for public referendum

Kenney noted he conferred with many colleagues in the past days to confirm these are indeed the things normally done in financial hardships. Hopkins asked if you can increase Excelon levies. John says no, but you could increase others but noted that a public referendum on this wouldn't be done in time to impact the 2010. Tax levies have to be set in February, so it would impact 2011. Rice noted he and McKinley will be working with Sakallariou to draft approach unions correctly for wage discussions. The goal is certainly to avoid layoffs. White feels we all (including board members, employees and department heads) must face these issues together and provide as much input together as possible. We need the dept heads to be on board with our solutions. How would all these potential solutions impact them? What would they do with voluntary layoffs? Kenney again noted that the best case scenario is pursuing all possible options to keep people from losing their jobs. Hopkins said we must come back with specific figures on all the options before making recommendations to the board. White says we need to cut the finance committee budget too. Like the fair. Like the mileage reimbursements for the county board members, which could save $15,000. We have to take the cuts if we ask the employees. Gronewold says when we open the contracts, we have to be fair or we have an equity issue.

Hopkins, wants input from the board to see if what their preferences are as we move forward. McKinley agreed to create a Board survey for input at the next Board meeting. McKinley noted we have to look beyond just financials and ensure we evaluate personnel implications and community impact. Greg Martin says you must consider that before you go to unions, mandatory items make negotiations tougher. Be careful about saying mandatory with unions because you may not be able to do this. Loss of income is always a grievance by the unions so in 2010, to open the contracts, we're only talking about one thing – wage freezes. That should make it go faster. Martin says a tax levy must be considered. If this isn't a one year process, then don't worry about getting tax levies in 2010, but do it in 2011. This is a tough decision too. But what do the taxpayers want?

What do they want to pay for the services they have? Coffman reminded the group that the levy accounts for approximately 1/3 of your general fund revenue, state reimbursements account for approximately 1/3, and fees are about 1/3.

Sheriff Beitel then noted that the budget he submitted for 2010 was $111,000 under last year, which still allows for current union raises, so this means he already cut out $300,000 expenses out. This includes vehicles, which runs against the insurance recommendation saying we should do this and exposes me and the county to liability. Sheriff noted he is working to be a team player, but is concerned about the level of cuts required to balance the budgets in his departments. There is $360k more expected out of my budget, which equates to 9.2 duputies starting salaries. How do we do this? The Sheriff noted he had a dept meeting last week with the employees, they are open to discussing and negotiating with the county some wage concessions, but that needs to be focused on wage concession and not open up other issues until the contract is up next year. If we can get wage freeze or concession let's get it done soon. Rice said we won't open across the board, just wage freezes.

Doreen talked with her union stewards and the health dept made these tough decisions last year – cut 2 people and 2 part time and lost benefits. They are still reeling. If these concessions are equal across the board, they are willing to talk. But they also cover their own benefits, others don't. But they are willing to talk.

White noted we need to know if they lose people, what are the consequences? Department heads must articulate this so we understand the impact? He stated we can't make decisions until we know this. Saunders asked if the community should have input on what services they are willing to do without? Referendum could help tells us this. Saunders says maybe Vindi Wells could have people contact their board member for input, although we must remember the public doesn't always have the complex details while we do. Boes commented he thinks we'll see this level of revenue and difficulty for the next 5 years. What are the long term solutions? How far do freezes get us, and for how long? Rice says in the short term we have to reach the numbers quickly. Union contacts are up soon, so the long term will show up there.

John Coffman then talked about revenue scenarios, noting again he welcomes input because these remain best estimates in an unpredictable environment.

He noted that Meggon asked him to run worst case scenarios, which he has done. Coffman also noted the board needs to view this from a cash flow perspective, meaning how much liquidity has to be available at what times to keep from having to borrow to make payment obligations? Coffman highlighted the following revenue changes compared to last month's projections:

- 2009 property tax – left the same
- Pilot payment – previously split into $135k each year. It will come in in 2009 so from cash flow standpoint I moved it to this year.

- Sales tax – reduced the quarter percent another $10k on 2009 and $60k on 1%. Left 2010 where it was. This allows for a 20% reduction for the remainder of this year.
- Zeroed out the beginning balance. $325k out in 2009. We had $200k in for 2010 and didn't want to double count it.
- Transfers in from county officers and personal property – reduced 2010 by additional $100k
- Probation salary reimbursement – state is talking about different funding formulas, I so reduced by $150k.
- Left in transfer from Focus House.
- Fees & Fines from Zoning – reduced 2009 by $5000. Mike said picking up, so left 2010 alone.
- Sheriff's fees- I left these alone. Jail boarding is the big one, and still on target so far.
- Intergovernmental revenues – federal state reimbursement monies I left at $100k for 2009, but this will take the balance down. We're generating about $60k.
- State income tax is the figure Coffman reports he is least comfortable with this one because of it's unpredictable nature, even in good years.
- Property Taxes - Hopkins noted we still have to get the second property tax installments in one way or the other and John confirmed those do get paid.
- Interest income – Coffman provided a copy of an article from this week's Wall Street Journal stating economists say we're in the bottom of the recession cycle. Only 6/52 economists expect the fed to raise rates this year, so interest income not likely to come back any time soon (or at least until 2011).

White noted he spoke with his stock broker/insurance friend who says they expect the "W scenario" (the graph of decline and increase in this recession would look like a W on a graph). We may have hit the bottom and we'll go up, then next year in 1-2Q we could see another decline back to where we were. Last leg would be the climb out. Coffman noted he thinks this will be a long climb out. He asked the Finance Committee state what income levels we need to balance the budget to so that we can match our budgets accordingly and understand how far to cut. White commented it appears the County revenue bleeding has slowed, revenue is down 4% expenses are over 1%. Coffman noted from a cash flow standpoint, we could absorb this year's shortfall, but after that we're in trouble.
The Sheriff commented we must know what revenue targets the Board wants us to hit. People are on edge and anxious and uncertain. What does the Board want?

Further discussion noted that if sales tax picks up, if income tax picks up, we will be okay. But with State financials being as disastrous as they are, counties will continue feeling the downstream impact. We get a total of $210,00 reimbursements for States Attorneys ($150k), public defenders ($30k), assessors ($30k). Current information says that Probation reimbursement are the only ones being cut. Heuer noted that in last month's UCCI update from the head of U of I's governmental studies, they believed all reimbursements were at risk. Coffman noted it's important to confirm that and will follow up with our lobbyist to confirm.

Saunders noted she isn't sure $1.3 reduction is enough. Perhaps we should consider $1.7 in reductions. White says perhaps we should be looking to expense reductions first, which we have control of, then revenues, which we don't have control of. Saunders said sales tax has dipped 20%- John clarified that the projections bring it down 20%. Current rate continuing puts us at a million shortfall. Last year started in deficit mode. Bauer asked how close at the levy fund are we? We're at the top, per Coffman, so even dropping the other levies doesn't help us. Greg Martin noted we are doing the best we can to cut without cutting services and laying people off, but in his budget, there is no money to reduce 10%. Kenney asked if he knows of any other scenarios will help you get to this level?

The committee concluded the discussion by asking Meggon to work with the departments to articulate what cuts and what impact would come by getting to a 15% budget reduction. Gronewold noted he had performed an earlier analysis upon joining the Board that plotted revenues and expenses at the current salary rates, and identified we'd have a shortfall at least by 2018. The economic conditions have put us there earlier. DeArvil – recommend board members take 20% cut first and let the community know we're headed in this direction.

The Finance Committee then set a Special Meeting for Wednesday August 26 at 5:30 in the Sheriff's training room. They will review all this information and be ready to take recommendations to the Board for a balanced 2010 budget.

7. New Business – Discussion & Possible Action:
   - Budget Parameters, Amendments – see above

8. Old Business – none

9. Adjournment – by Lyle Hopkins at approximately 4:00.

Respectfully submitted,
Meggon McKinley, Ogle County Administrator.

Lyle Hopkins – Chairman
Sheriff's Department Training Room 103 Jefferson St in Oregon, Illinois
Public Entrance – gated entrance off Jefferson Street – use East door of building